

Consumable supplies do not qualify for exemption on the basis of the Farm Machinery & Equipment exemption. See 86 Ill. Adm. Code 130.305(k). (This is a GIL).

September 17, 1999

Dear Ms. Xxxxx:

This letter is in response to your letter dated July 6, 1999. The nature of your letter and the information you have provided require that we respond with a General Information Letter, which is designed to provide general information, is not a statement of Department policy and is not binding on the Department. See 2 Ill. Adm. Code 1200.120(b) and (c), enclosed.

In your letter, you have stated and made inquiry as follows:

We have recently had some questions arise from a dealership in Illinois regarding sales tax on baling twine, net wrap, plastic wrap, and also fresh cut hay preservatives.

According to 86 Illinois Administrative Code Chapter 1, Section 130.305(k), it states 'supplies, such as baling wire, baling twine.....are not exempt' so that clearly answers our question about baling twine.

However, we are unclear in regard to the net or plastic wrap which is used in the storage of the hay bales, etc. In Section 130.305(f), it states 'Activities such as...are not included, nor are the operations involved in the storing or transporting of crops and produce.' So in other words, does this pertain to the net wrap and plastic wrap because they are involved in the storage of hay?

We would appreciate a ruling on the fresh cut hay preservative as we are not sure where this item would fall in production agriculture and if it would be exempt or not.

We appreciate your prompt handling of our sales tax questions. Our dealers do try extremely hard to comply with the correct sales tax regulations., it is our intention to pass along as much information as possible to make it easier for our dealer-members to be in sales tax compliance.

You are correct when you cite 86 Ill. Adm. Code 130.305(k) for the proposition that baling twine is taxable when purchased for use or consumption. This means it cannot qualify for the Farm Machinery and Equipment Exemption. The use of baling twine and plastic wrap, however, can constitute containers within the meaning of 86 Ill. Adm. Code 130.2070, enclosed.

The sale of containers, as that term is defined in 86 Ill. Adm. Code 130.2070, is not subject to Retailers' Occupation Tax when the purchasers of such containers transfer to customers the ownership of the containers together with what is contained in them. Purchases of baling twine and plastic wrap can thus be nontaxable when they are used to bind and wrap hay that is sold so long as the purchasers provide suppliers with Certificates of Resale that meet the requirements of 86 Ill. Code 130.1405, enclosed. If, on the other hand, the purchasers of baling twine and plastic wrap will use the hay themselves, then such purchases are taxable and cannot be made for resale. The tax consequences for purchases of net wrap would follow these same principles.

Regarding preservatives used for drying hay, this product may qualify for the farm chemical exemption pursuant to 86 Ill. Adm. Code 130.1955, enclosed. It is important to remember that in order to qualify for the farm chemical exemption the chemical must be used in production agriculture, the products of which are to be sold, or in the production or care of animals that are to be sold or the products of which are to be sold. See Section 130.1955(b).

I hope this information is helpful. The Department of Revenue maintains a Web site, which can be accessed at www.revenue.state.il.us. If you have further questions related to the Illinois sales tax laws, please contact the Department's Taxpayer Information Division at (217) 782-3336.

If you are not under audit and you wish to obtain a binding Private Letter Ruling regarding your factual situation, please submit all of the information set out in items 1 through 8 of the enclosed copy of Section 1200.110(b).

Very truly yours,

Karl W. Betz
Associate Counsel

KWB:msk
Enc.